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*To ensure access to high-quality,
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care to Los Angeles County residents
through direct services at DHS facilities
and through collaboration with
community and university partners.*



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May 20, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT TO CENTRAL FILL PHARMACY AND
AUTOMATION SYSTEM AGREEMENT TO IMPLEMENT PATIENT MAIL-
ORDER REFILLS WITH CARDINAL HEALTH PHARMACY SERVICES, LLC
(ALL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval of an Amendment to the existing Agreement with Cardinal Health Pharmacy Services, LLC, for a Central Fill Pharmacy and Automation System to implement a direct patient mail delivery option for refill pharmacy services.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the Director of Health Services (Director), or his designee, to execute an Amendment to Agreement H-705406 with Cardinal Health Pharmacy Services, LLC Agreement (Cardinal) to implement a direct patient mail delivery option for all Department of Health Services (DHS) outpatient pharmacies, except High Desert Multi-Service Ambulatory Care Center (HD MACC), for a total contract sum of \$25,402,791, which includes \$15,630,909 for the initial contract term ending on August 6, 2017, and \$9,771,882 for the optional periods of August 7, 2017 through August 6, 2019.

2. Delegate authority to the Director, or his designee, to: (1) to execute Amendments to extend the term, adjust the annual contract sum in the Agreement without increasing the total contract sum, incorporate provisions consistent with changes in State or Federal laws, County Code, Board policy,

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

16 May 27, 2014

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

and Chief Executive Office contracting requirements, non-material programmatic and/or administrative adjustments; and (2) to increase the total contract sum by no more than 10 percent, amounting to no more than \$2,540,279 for additional expenses related to any unanticipated work including but not limited to unexpected increases in the volume of medication refills, direct patient mail delivery cost, or next day delivery option.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the first recommendation will allow the Director to execute an Amendment to the Central Fill Pharmacy and Automation System (CFPAS) Agreement with Cardinal, substantially similar to Exhibit I, to implement the direct patient mail delivery option to CFPAS for mail delivery of outpatient medication refills from Cardinal's Valencia central pharmacy facility by expanding the service to all DHS outpatient pharmacies, with exception to HD MACC, since such services are already provided under the CFPAS Agreement.

Background

Pursuant to a request from the Fifth District to improve outpatient pharmacy delivery to DHS patients, DHS initiated a pilot program on August 4, 2008 that allowed outpatients in the Lake Los Angeles and Littlerock clinic areas to receive prescription refills by mail at no cost from High Desert Health Systems (now HD MACC). Shortly thereafter, HD MACC funded and implemented a mail delivery pilot program for specific clinics within the HD MACC Antelope Valley Service Area to assess the effectiveness of delivering refill medications to patients' homes, allowing patients to avoid traveling long distances to retrieve necessary refill medications. Both pilot programs resulted in high patient satisfaction rates, and DHS now plans to expand use of a similar mail delivery program for other DHS outpatient pharmacies.

In August 2013, as part of DHS' strategy to continue improvement of outpatient pharmacy operations, , DHS negotiated with Cardinal to provide a CFPAS for all DHS outpatient pharmacies, with the goal of improving operational pharmacy efficiency and reduce overall prescription dispensing costs. Through CFPAS, refill requests are dispensed through Cardinal's high-volume automation, and sent back to the originating DHS pharmacy where the prescription can be picked up by the pharmacy patient 24-36 hours later. CFPAS was first implemented at HD MACC in November 2013, with subsequent implementation planned throughout the remainder of DHS facilities. DHS had first selected HD MACC because access to prescription medication is problematic for patients in this rural area given the limited number of pharmacy sites and long distances patients must travel to obtain refill medication.

DHS plans to execute an amendment to Cardinal's agreement to implement a direct patient mail delivery option for HD MACC, which replaces the previously used mail delivery system. This option will result in operational efficiencies through integration of the refill dispensing process with the mail delivery. DHS is now expanding the direct patient mail delivery option to other DHS facilities.

Second Recommendation

Approval of the second recommendation will allow DHS the flexibility to amend the Agreement to extend the term of the Agreement, make programmatic and administrative changes to incorporate provisions consistent with changes in State or Federal laws, County Code, Board policy, and Chief Executive Office contracting requirements, and increase the total contract sum up to 10 percent to account for expenses related to any unanticipated work including, but not limited, to unexpected increases in the volume of medication refills, direct patient delivery cost, or next day delivery option.

Implementation of Strategic Plan Goals

The recommended actions support Goal 2, Fiscal Sustainability, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The direct patient delivery option increases the Agreement's total contract sum by \$4,275,464 to a total contract sum of \$25,402,791 for the entire duration of the Agreement, if the two additional one-year extensions are exercised by County. The total potential increase under the 10 percent delegated authority is \$2,540,279.

Funding will be requested in DHS' Fiscal Year 2014-15 Supplemental Budget Resolution and in future fiscal years as needed.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

As a DHS' strategy to improve outpatient pharmacy operations, DHS has negotiated with Cardinal to provide direct patient mail delivery services for all DHS outpatient pharmacies, so as to reduce pharmacy out-patient wait times and increase patient convenience and satisfaction. Under CFPAS and the new direct patient mail delivery option, DHS outpatient refill prescriptions will be filled individually at Cardinal's warehouse, verified for accuracy, packaged, and then shipped back to the originating DHS pharmacy where the prescription can be picked up by the pharmacy patient 24-36 hours later, or will be delivered from the Cardinal warehouse to a patient's selected home address within 3-5 days of patient request. DHS also hopes that by providing refill medication mail service, patient access to chronic medication therapy will increase.

The Cardinal CFPAS Agreement provides for dispensing of refill outpatient prescriptions, and direct patient mail delivery, which will improve access for patients that are unable to travel because of infirmity or transportation-related issues. The cost of medication/drugs is a separate cost and is handled under a separate distributor agreement between the County and Cardinal, whereby Cardinal serves as the County's drug wholesaler. The County purchases its drugs through this distributor agreement using either 340B discount pricing or group purchasing organization prices.

Expansion of patient mail delivery services out of other DHS outpatient pharmacies is necessary to provide high-level service to the outpatients of DHS. With the advent of Medicaid coverage expansion under the Federal Affordable Care Act/Healthcare Reform, DHS outpatient pharmacies must have the ability to provide patient care services that are consistent with industry standards. For DHS outpatients, the addition of a direct patient delivery option will provide convenience and improved access to refill prescription drugs for patients that have transportation-related issues. By offering this service, the goal is to enhance the patient experience at DHS outpatient pharmacies and improve patient satisfaction.

The Agreement includes all of the Board of Supervisors' required provisions.

County Counsel has approved this Amendment as to form.

CONTRACTING PROCESS

This is an amendment to a current Agreement.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Implementation of a direct patient mail delivery option will reduce outpatient pick-up congestion at local DHS pharmacies and improve access for patients that are unable to travel because of infirmity or transportation-related issues. Direct patient delivery will also extend to the services and quality of care to patients enrolled in all DHS sites. . Utilizing this outpatient mail delivery and CFPAS will lead to a more efficient allocation of pharmacy resources and promote customer convenience and satisfaction.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is fluid and cursive, with the first name "Mitchell" written in a larger, more prominent script than the last name "Katz".

Mitchell H. Katz, M.D.

Director

MHK:rt

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

**AGREEMENT BY AND BETWEEN COUNTY OF LOS ANGELES AND CARDINAL
HEALTH PHARMACY SERVICES, LLC FOR CENTRAL FILL PHARMACY
WAREHOUSE AND AUTOMATION SYSTEM (CFPAS)**

AMENDMENT NO. 2

THIS AMENDMENT is made and entered into this ____ day of _____, 2014

By and between	COUNTY OF LOS ANGELES (hereafter "County"),
and	CARDINAL HEALTH PHARMACY SERVICES, LLC. (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled "Pharmacy Central Fill Warehouse and Automation System (CFPAS)" with Cardinal Health Pharmacy Services, LLC, dated August 7, 2012, further identified as County Agreement No. H-705406, and any amendments thereto, (all hereafter referred to as "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend the Agreement to add a Direct Patient Delivery Option for outpatient refills by a mail-order delivery option for all Department of Health Services (DHS) outpatient pharmacies, except High Desert Multiple Ambulatory Care Center (HD-MACC). The Direct Patient Delivery Option will enable pharmacies to mail medication refills directly to outpatients' homes, and to provide for the other changes set forth hereinafter; and

WHEREAS, it is the intent of the parties hereto to amend the Agreement to update certain terms and conditions to the Agreement, and to provide for the other changes set forth herein; and

WHEREAS, Agreement provides that changes in accordance with Paragraph 8, CHANGES TO AGREEMENT, Subparagraph 8.3 AMENDMENTS, may be made in the form of a written amendment which is formally approved and executed by the parties; and

WHEREAS, Contractor warrants that it possesses the competence, expertise and personnel necessary to provide services consistent with the requirements of this Agreement and consistent with the professional standard of care for these services.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. This Amendment shall commence and be effective upon execution.
2. Agreement, Paragraph 6.1, CONTRACT SUM is deleted in its entirety and replaces as follows:

6.1 CONTRACT SUM

"The Contract Sum under this Agreement shall be the total monetary amount payable by County to Contractor for supplying all the tasks, subtasks, deliverables, goods, services and other work requested and specified hereunder for the term of this Agreement.

All work completed by Contractor must be approved in writing by County in accordance with Paragraph 2.4 (Approval of Work). If County does not approve work in writing, no payment shall be due to Contractor for that work.

The Total Contract Sum, including all applicable taxes, authorized by County hereunder for the term of the Agreement shall not exceed Twenty-Five Million Four Hundred and Two Thousand, Seven Hundred and Ninety One Dollars (\$25,402,791) as set forth in Section 2 (Contract Sum) of Exhibit B-2 Payment Schedule, unless the Contract Sum is modified pursuant to a duly approved Amendment to this Agreement by County and Contractor's authorized representative(s) pursuant to Paragraph 8 (Changes to Agreement).

During the term of this Agreement, the Director, or his designee, may amend Exhibit B-2 – Payment Schedule as needed to adjust the Total Contract Sum by no more than ten percent (10%) for expenses related to any unanticipated work including but not limited to unexpected increase in the volume of medication refills, direct patient delivery cost, or next day delivery option. Any modification of the Contract Sum is through the action of a duly approved Amendment to this Agreement by County and Contractor's authorized representative(s) pursuant to Paragraph 8 (Changes to Agreement).

Contractor shall maintain a system of recording keeping that will allow Contractor to determine when it has incurred seventy-five percent (75%) of the Contract Sum authorize for this Agreement. Upon occurrence of this event, Contractor shall provide written notification to County's Project Director at the address set forth in Section I (County's Key Personnel) of Exhibit D (Administration of Agreement), but Contractor's failure to do so shall not constitute a breach of this Agreement."

3. Agreement is modified to add Paragraph 13.56 CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION – LOWER TIER COVERED TRANSACTIONS (2 C.F.R. PART 376), as follows:

“13.56 CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION – LOWER TIER COVERED TRANSACTIONS (2 C.F.R. PART 376)”

Contractor hereby acknowledges that the County is prohibited from contracting with and making sub-awards to parties that are suspended, debarred, ineligible, or excluded or whose principals are suspended, debarred, ineligible, or excluded from securing federally funded contracts. By executing this Agreement, Contractor certifies that neither it nor any of its owners, officers, partners, directors or other principals, employees, or independent contractors is currently suspended, debarred, ineligible, or excluded from securing federally funded contracts. Further, by executing this Agreement, Contractor certifies that, to its knowledge, none of its subcontractors, at any tier, or any owners, officers, partners, directors, other principals, employees, or independent contractors of any subcontractor is currently suspended, debarred, ineligible, or excluded from securing federally funded contracts. Contractor shall immediately notify County in writing, during the term of this Agreement, should it or any of the aforementioned parties either be suspended, debarred, ineligible, or excluded from securing federally funded contracts. Failure of Contractor to comply with this provision shall constitute a material breach of this Agreement upon which the County may immediately terminate or suspend this Agreement.”

4. Agreement is modified to add Paragraph 13.57., CONTRACTOR’S EXCLUSION FROM PARTICIPATION IN A FEDERALLY FUNDED PROGRAM, as follows:

“13.57 CONTRACTOR’S EXCLUSION FROM PARTICIPATION IN A FEDERALLY FUNDED PROGRAM:

13.56.1 Contractor hereby warrants that neither it nor any of its Subcontractors’ owners, officers, partners, directors, other principals, employees or independent contractors is restricted or excluded from providing services under any health care program funded by the Federal government, directly or indirectly, in whole or in part, (which includes Medicare, Medi-Cal and Healthy Families) and that Contractor will notify Director within ten (10) calendar days in writing of: (1) any event that would require Contractor or any of the aforementioned parties’ mandatory exclusion from participation in a Federally funded health care program; and (2) any exclusionary or suspension action taken by any agency of the Federal or State governments against any of the aforementioned parties’ barring these parties from participating in a Federally funded health care program, whether such bar is direct or indirect, or whether such bar is in whole or in part.

13.56.2 Contractor shall indemnify and hold County harmless against any and all loss or damage County may suffer arising from any exclusion or suspension of Contractor or its Subcontractors' owners, officers, partners, directors, other principals, employees or independent contractors from such participation in a Federally funded health care program.

13.56.3 Failure by Contractor to meet the requirements of this Sub-paragraph shall constitute a material breach of contract upon which County may immediately terminate or suspend this Agreement."

5. Agreement is modified to add Paragraph 13.58., Time Off For Voting, as follows:

"13.58 TIME OFF FOR VOTING

The Contractor shall notify its employees, and shall require each subcontractor to notify and provide to its employees, information regarding the time off for voting law (Elections Code Section 14000). Not less than 10 days before every statewide election, every Contractor and subcontractors shall keep posted conspicuously at the place of work, if practicable, or elsewhere where it can be seen as employees come or go to their place of work, a notice setting forth the provisions of Section 14000."

6. Agreement, Exhibit A Statement of Work, Paragraph 3.2.2 Direct Patient Delivery Option is deleted in its entirety and replaced as follows:

"Upon implementation of CFPAS at all County Pharmacies, Contractor shall provide Direct Patient Delivery Option mailed directly to the homes of individual patients. For delivery of non-controlled substances sent directly to the home address of individual patients, the turnaround time will be three (3) to five (5) Business Days from initial receipt of the refill medication order. The parties will select the means by which direct patient delivery shall occur, whether by U.S. mail or another mutually agreed upon equivalent method, with that method and agreed upon charges to be set forth in the Exhibit B-2, Payment Schedule. County also may negotiate with Contractor for next day delivery options for a refill to be sent directly to the patient's home address, such options shall be included in the Agreement by an amendment setting forth the factors for a next day Direct Patient Delivery Option. Patient deliveries will only be made to the patient's home address and charged accordingly."

7. Agreement, Exhibit B-1. Payment Schedule, is deleted and replaced in its entirety by Exhibit B-2, attached hereto and incorporated herein by reference. All references to Exhibit B-1 in the Agreement shall hereafter be replaced by Exhibit B-2.

8. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by its Director of Health Services, and Contractor has caused this Amendment to be executed in its behalf by its duly authorized officer, the day, month and year first above written.

COUNTY OF LOS ANGELES

By _____
Mitchell H. Katz, M.D.
Director of Health Services

CARDINAL HEALTH PHARMACY SERVICES, LLC.
Contractor

Signature

By _____
Printed Name

Title _____

APPROVED AS TO FORM:
John F. Krattli
County Counsel

By: _____
Principal Deputy County Counsel

EXHIBIT B-2

PAYMENT SCHEDULE

FOR

**CENTRAL FILL PHARMACY
AND
AUTOMATION SYSTEM
(CFPAS)**

**MAY 2014
VERSION 2.0**

PAYMENT SCHEDULE

This Exhibit B sets forth the pricing and payment terms for the work to be provided under the Agreement, including Central Fill Pharmacy and Automation System (CFPAS) Implementation and CFPAS functions whether by Contractor itself or by utilizing subcontractor(s).

1A. CFPAS FEES

County shall pay Contractor for the provision of CFPAS functions at the maximum CFPAS Fee of \$2.85 per a successfully completed prescription refill pursuant to the terms of Exhibit A (Statement of Work), subject to the provisions of Paragraph 6 (Pricing Terms and Fees) of the Base Agreement. The CFPAS Fees shall not increase during the term of the Agreement.

Contractor shall be reimbursed based on the volume scripts filled annually under this Agreement, as provided in the table below.

Central Fill Pharmacy and Automation System*	
Volume/Description	CFPAS Fee
Up to 1,200,000 scripts annually	\$2.85 / script
1,200,001 – 1,700,000 scripts annually	\$2.80 / script
1,700,001 + scripts annually	\$2.75 / script
* The CFPAS Fees shall include all processing and delivery costs related to prescription fulfillment services back to originating pharmacy. Prescriptions mailed to patient homes will be subject to additional pass-through to County shipping and packaging costs.	

The maximum total of all CFPAS Fees paid by County to Contractor under the Agreement shall not exceed \$20,998,341 during the term of the Agreement, as further provided in Section 2 (Contract Sum) below.

Assuming that all County Pharmacies identified in Attachment A.1 (County Pharmacies) receive CFPAS Services, the maximum total annual projected CFPAS Fees for all County Pharmacies by contract year are as follows:

CFPAS Fees for All County Pharmacies by Contract Year

Contract Year	Maximum Scripts Per Year	Projected Maximum Annual CFPAS Fees
Year 1	22,177	\$ 63,204
Year 2	405,248	\$ 1,154,956
Year 3	1,299,397	\$ 3,685,317
Year 4	1,437,042	\$ 4,023,716
Year 5	1,437,042	\$ 4,023,716
Year 6*	1,437,042	\$ 4,023,716
Year 7*	1,437,042	\$ 4,023,716
Totals	7,474,990	\$ 20,998,341

Projected maximum annual CFPAS fees rounded to the nearest dollar

* optional extension years

1B. All DHS Pharmacy Outpatient Mail-Order Fees

Facilities	DHS Pharmacy Outpatient Mail-Order Fees*							Total Fees
	Contract Year 1	Contract Year 2	Contract Year 3	Contract Year 4	Contract Year 5	Contract Year 6**	Contract Year 7**	
High Desert MACC (2 sites)	\$ 0	\$ 4,161	\$ 24,965	\$ 24,965	\$ 24,965	\$ 24,965	\$ 24,965	\$128,986
MLK MACC	\$ 0	\$ 8,530	\$ 51,180	\$ 51,180	\$ 51,180	\$ 51,180	\$ 51,180	\$264,430
Humphrey CHC	\$ 0	\$14,470	\$ 86,820	\$ 86,820	\$ 86,820	\$ 86,820	\$ 86,820	\$448,570
RLANRC	\$ 0	\$ 0	\$ 16,896	\$ 16,896	\$ 16,896	\$ 16,896	\$ 16,896	\$84,480
OV/UCLA MC	\$ 0	\$ 7,328	\$ 43,966	\$ 43,966	\$ 43,966	\$ 43,966	\$ 43,966	\$227,158
Mid-Valley CHC, San Fernando HC	\$ 0	\$ 4,745	\$ 28,469	\$ 28,469	\$ 28,469	\$ 28,469	\$ 28,469	\$147,090
H/UCLA MC (3 sites)	\$ 0	\$21,054	\$ 84,214	\$ 84,214	\$ 84,214	\$ 84,214	\$ 84,214	\$442,124
Long Beach CHC, Wilmington HC	\$ 0	\$ 28,331	\$ 169,985	\$ 169,985	\$ 169,985	\$169,985	\$ 169,985	\$878,256
LAC+USC MC (2 sites)	\$ 0	\$ 0	\$ 137,159	\$ 149,628	\$ 149,628	\$149,628	\$ 149,628	\$735,671
Hudson CHC, Roybal CHC, El Monte CHC	\$ 0	\$ 17,175	\$ 206,102	\$ 206,102	\$ 206,102	\$ 206,102	\$ 206,102	\$ 1,047,685
DHS System Total	\$ 0	\$105,794	\$849,756	\$862,225	\$862,225	\$ 862,225	\$ 862,225	\$ 4,404,450

*calculated using vendor mailing cost of \$6.00 per package for prescriptions

**optional extension years

2. CONTRACT SUM

Contract Sum shall be County's obligation under the Agreement and shall include the total CFPAS Fees for CFPAS services. The Contract Sum allocated for the term of the Agreement, including sales tax amounts, if any, is Twenty-Five Million Four Hundred and Two Thousand and Seven Hundred Ninety One Dollars (\$25,402,791).

Total Contract Sum for Five (5) Years and Seven (7) Years

Contract Year	Projected Maximum Annual CFPAS Fees	All County Pharmacy Outpatient Mail-Order Fees	Total
Year 1●	\$ 63,204	\$ 0	\$63,204
Year 2	\$ 1,154,956	\$105,794	\$1,260,750
Year 3	\$ 3,685,317	\$ 849,756	\$4,535,073
Year 4	\$ 4,023,716	\$ 862,225	\$4,885,941
Year 5	\$ 4,023,716	\$ 862,225	\$4,885,941
Five-Year (5) Total	\$12,950,909	\$2,680,000	\$15,630,909
Year 6*	\$ 4,023,716	\$862,225	\$4,885,941
Year 7*	\$ 4,023,716	\$862,225	\$4,885,941
Seven-Year (7) Total			\$ 25,402,791
10% Delegated Authority			\$ 2,540,279
Total with 10% Delegated Authority			\$ 27,943,070

● Implementation Quarter Q4 FY 2013-14

* Optional extension years